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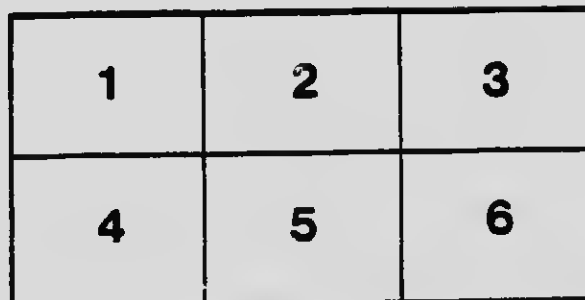
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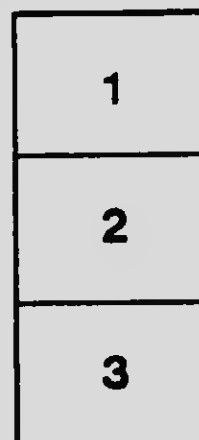
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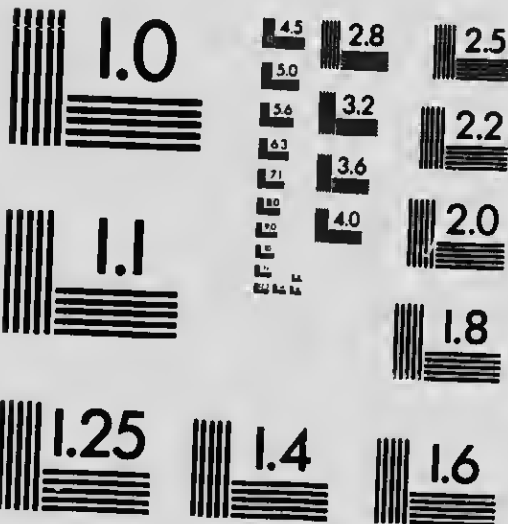
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**Montreal**  
**Clearing**  
**House...**

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MONTREAL  
CLEARING HOUSE.

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RULES AND REGULATIONS

*(As Revised Dec., 1905)*

INCLUDING

RULES RESPECTING CLEARING HOUSES

AND

RULES RESPECTING ENDORSEMENTS.





# CONSTITUTION RULES AND REGULATIONS

OF THE  
MONTREAL CLEARING HOUSE.

*Compiled Dec. 1888. Revised Dec. 1905.*

The undersigned banks in the City of Montreal, for the purpose of effecting a more perfect and satisfactory settlement of the daily exchanges and balances between them, hereby associate themselves together for that object, and agree upon and adopt the following constitution : —

## ARTICLE I.

The name of this Association shall be the  
"Montreal Clearing House."

## ARTICLE II.

The daily exchanges between the several banks shall be effected at one place, and at one time, and the paying and receiving of balances resulting from such exchanges shall be made as hereafter provided. (See Article viii.)

## ARTICLE III.

The Managers of the several Banks shall constitute a Board of Management, and shall annually elect a Committee of seven, who shall appoint a Chairman and a Vice-Chairman.

## ARTICLE IV.

The Annual General Meeting of the Association shall be held at the Clearing House on the second Wednesday in January in each year, at four o'clock p.m., for the election of officers, hearing of yearly reports, and for such other business as may be brought before it.

Special meetings of the Association may be called by the chairman of Committee whenever he may deem it necessary, or whenever he shall be requested by five members of the Association.

## ARTICLE V.

At all meetings of the Association, each member may be represented by one of its officers, and shall be entitled to one vote. At all meetings of the Association, a quorum for the transaction of business shall consist of the majority of all the members, and all questions shall be decided by a majority of the members present.

## ARTICLE VI.

The necessary expenses in connection with the Clearing House shall be borne by the various Banks.

The annual fee to defray said expenses shall be fixed by the Committee of the Clearing House.

## ARTICLE VII.

The Committee shall arrange with a bank, to act as Clearing Bank, for the receipt and disbursement of balances due by and to the various banks. But such bank shall be responsible only for the sums of money actually received by it from the debtor banks, and for the distribu-

tion of such sums amongst the creditor banks on the presentation of the usual Clearing House certificate properly discharged. The Clearing Banks to give the usual receipt for balances received from the debtor banks.

### ARTICLE VIII.

The hours for making exchanges at the Clearing House shall be 10 o'clock a. m. precisely. All debit balances must be paid into the Clearing Bank at or before 12.30 o'clock of same day; and at or after 12.45 o'clock the creditor banks shall receive from the Clearing Bank the balance due to them respectively, provided that the balance due from the debtor banks shall then have been paid. But on no condition shall any creditor balance, or portion thereof, be paid until such debtor balances have been settled. . . . The medium to be used in Clearing shall be legal tenders of large denomination.

On Saturdays the time for making payment to Settling Bank is 11 o'clock, and for receiving 11.15. The hour for making exchanges is 9.30. Bank Notes are not to be cleared on Saturdays.

## ARTICLE IX.

Errors in the exchanges and claims arising from the return of cheques, or from any other cause, are not to be adjusted through the Clearing Bank, but directly between the banks interested; and all cheques, drafts, or other items in the exchanges, constituting such errors, shall be returned without intentional mutilation to the bank from which they are received, before one o'clock of the same day. (~~12~~ Saturday at twelve o'clock.) Errors in parcels of banks notes must be adjusted before three o'clock on the day when said parcels are received through the Clearing House—Saturday at twelve o'clock.

## ARTICLE X

Cheques upon suburban branches of banks must be presented on the day of receipt thereof, and if payment is refused must be returned before one o'clock on the following business day—Saturdays before Twelve o'clock.

## ARTICLE XI

All negotiable paper deposited for clearance by members of the Association shall bear the

stamp of the depositing bank, whether the bank is the original payee or not. Such stamp shall clearly indicate the name of the bank and the date of clearance.

## ARTICLE XII

Any bank may withdraw from this Association by giving notice in writing to the Manager and paying its due proportion of expenses and obligations then due. Said retirement to take effect from the close of business of the day on which such notice is given. The Manager shall promptly notify the other banks of such withdrawal.

## ARTICLE XIII.

Amendments to this constitution, and new rules and regulations not provided for by this constitution, may be made at any meeting of the Association by a vote of the majority of the whole members, notice of any amendments having been given at least two weeks previously.

## ARTICLE XIV.

Banks may be admitted to the Association by a majority vote of all the members present, or

any bank may be expelled from the Association on a two-thirds vote, at any special meeting called for that purpose.

#### ARTICLE XV.

During the hours of clearing, with the exception of the clearing clerks and messengers, no one shall be admitted into the Clearing House, unless introduced by a member, who shall be responsible for such introduction.

#### ARTICLE XVI.

The Manager of the Clearing House shall be appointed by the Committee, and his remuneration fixed by them.

When absent from the City of Montreal, the Manager may, with the approval of the Chairman, appoint a bank official to preside at the daily exchange at the Clearing House, providing said appointee is not under the rank of assistant accountant in a chartered bank. The Settling Bank shall be notified of such appointment.



**ARTICLE XVII.**

The minor regulations made from time to time for the proper performance of the routine work of the Clearing House shall be formulated by the manager, and, when sanctioned by the Chairman of Committee may be enforced without recourse to the members.

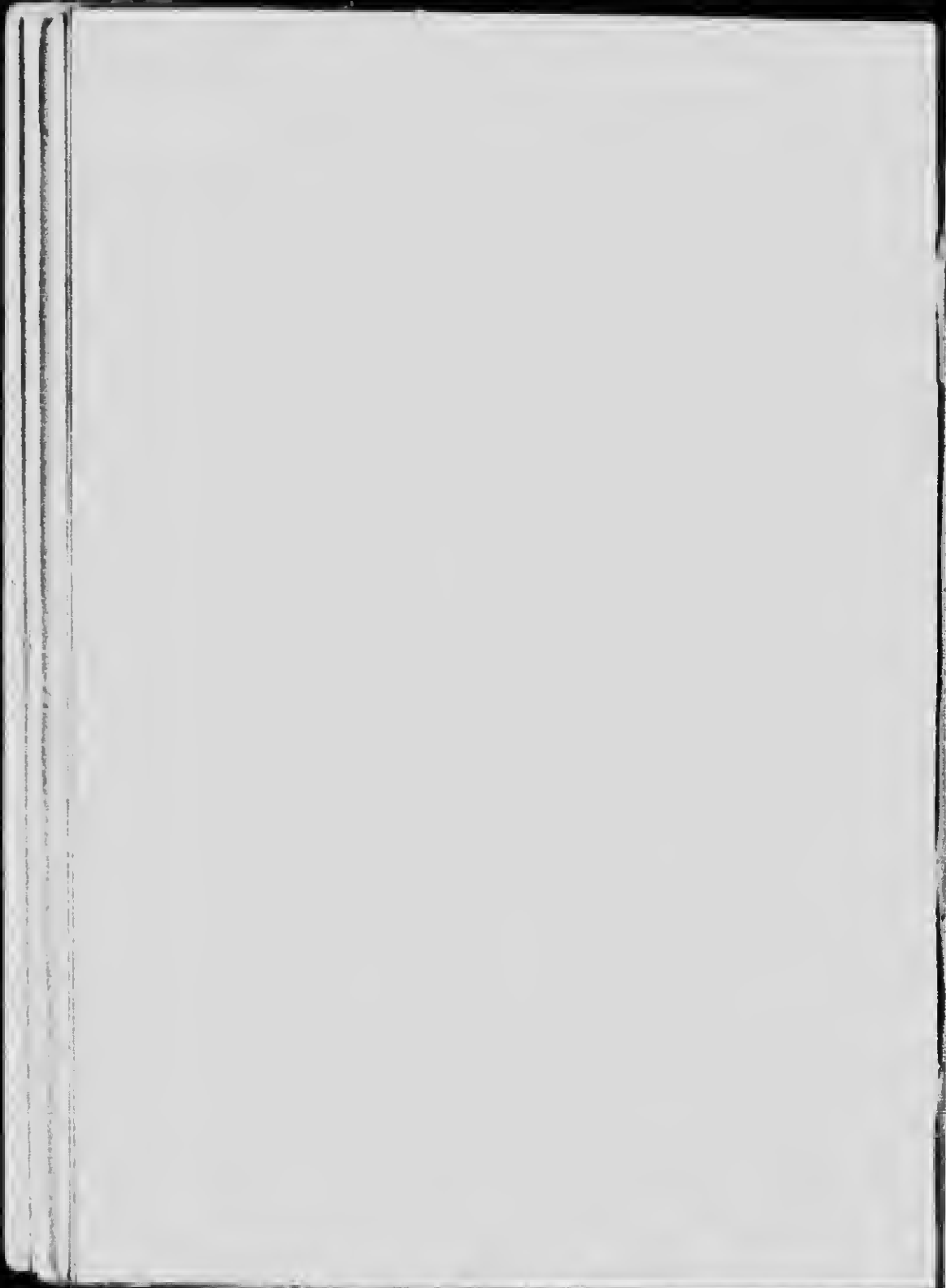
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**NOTICE TO MEMBERS**

These by-laws of the Montreal Clearing House are subservient to the following rules and regulations made in pursuance of the powers contained in the Act to incorporate the Canadian Bankers' Association.

# **RULES AND REGULATIONS**

**RESPECTING CLEARING HOUSES.**



# RULES AND REGULATIONS

## RESPECTING CLEARING HOUSES

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*Made in pursuance of the powers contained in the Act  
to Incorporate the Canadian Bankers' Association.*

1. The chartered banks doing business in any city or town, or such of them as may desire to do so, may form themselves into a Clearing House. Chartered banks thereafter establishing offices in such city or town may be admitted to the Clearing House by a vote of the members.

2. The Clearing House is established for the purpose of facilitating daily exchanges and settlements between banks. It shall not either directly or indirectly be used as a means of obtaining payments of any item, charge or claim disputed, or

objected to. It is expressly agreed that any bank receiving exchanges through the Clearing House shall have the same rights to return any item, and to refuse to credit any sum which it would have had were the exchanges made directly between the banks concerned, instead of through the Clearing House; and nothing in these or any future rules, and nothing done, or omitted to be done thereunder, and no failure to comply therewith shall deprive a bank of any rights it might have possessed had such rules not been made, to return any item or refuse to credit any sum; and payment through the Clearing House of any item, charge or claim shall not deprive a bank of any right to recover back the amount so paid.

3. The Annual Meeting of the members shall be held on such day in each year, and at such time and place as the members may fix by by-law. Special meetings may be called by the Chairman or Vice-Chairman whenever it may be deemed necessary, and the Chairman shall call a special meeting whenever requested to do so in writing by three or more members.

4. At any meeting each member may be represented by one or more of its officers, but each bank shall have one vote only.

5. At every Annual Meeting there shall be elected by ballot a Board of Management who shall hold office until the next Annual Meeting, and thereafter until their successors are appointed. They shall have the general oversight and management of the Clearing House. They shall also deal with the expenses of the Clearing House and the assessments made therefor. In the absence of any member of the Board of Management he may be represented by another officer of the bank of which he is an officer.

6. The Board of Management shall at their first meeting after their appointment, elect out of their own number a Chairman, a Vice-Chairman, and a Secretary-Treasurer, who shall perform the duties customarily appertaining to these offices.

The officers so elected shall be respectively the Chairman, Vice-Chairman, and Secretary-Treasurer of the Clearing House.

Should the bank of which the Chairman is an officer be interested in any matter, his powers and duties shall, with respect to such matter, be exercised by the Vice-Chairman, who shall also exercise the Chairman's duties and powers in his absence.

7. Meetings of the Board may be held at such times as the members of the same may determine. A special meeting shall be called by the Secretary-Treasurer on a written requisition of any member of the Clearing House for the consideration of any matter submitted by it, of which meeting 24 hours notice shall be given, but if such meeting is for action under Rules 15 or 16, it shall be called immediately.

8. The expenses of the Clearing House shall be met by an equal assessment upon the members, to be made by the Board of Management.

9. Any bank may withdraw from the Clearing House by giving notice in writing to the Chairman or Secretary-Treasurer between the hours 1 and 3 o'clock p.m., and paying its due proportion of expenses and obligations then due. Said retirement to take effect from the close of business of the day on which such notice is given. The other banks shall be promptly notified of such withdrawal.

10. The Board of Management shall arrange with a bank to act as clearing bank for the receipt and disbursement of balances due by and to the various banks, but such bank shall be responsible

only for the moneys and funds actually received by it from the debtor banks, and for the distribution of the same amongst the creditor banks, on the presentation of the Clearing House certificates properly discharged. The clearing bank shall give receipts for balances received from the debtor banks. The Board of Management shall arrange for an officer to act as Manager of the Clearing House from time to time, but not necessarily the same officer each day.

11. The hours for making the exchanges at the Clearing House, for payment of the debit balances to the clearing bank, and for payment out of the balances due the creditor banks, shall be fixed by by-law under clause 17. On completion of the exchanges, the balances due to or by each bank shall be settled and declared by the Clearing House Manager, and if the clearing statements are readjusted under the provisions of these rules, the balances must then be similarly declared settled, and the balances due by debtor banks must be paid into the clearing bank, at or during the hours fixed by by-law as aforesaid, provided that no credit balance, or portion thereof, shall be paid until all debit



balances have been received by the clearing bank. At Clearing Houses where balances are payable in money they shall be paid in legal tender notes of large denominations.

At Clearing Houses where balances are payable by draft, should any settlement draft given to the clearing bank not be paid on presentation, the clearing bank shall at once notify in writing all the other banks of such default; and the amount of the unpaid draft shall be repaid to the clearing bank by the bank whose clearances were against the defaulting bank on the day the unpaid draft was drawn, in proportion to such balances. The clearing bank shall collect the unpaid draft, and pay the same to the other banks in the above proportion. It is understood that the clearing bank is to be the agent of the associated banks, and to be liable only for moneys actually received by it.

Should any bank make default in paying to the clearing bank its debit balance, within the time fixed by this rule, such debit balance and interest thereon shall then be paid by the bank so in default to the Chairman of the Clearing House for the time being, and such Chairman and his successor in office from time to time

shall be a creditor of and entitled to recover the said debit balance, and interest thereon from the defaulting bank. Such balances, when received by the said Chairman or his successor in office, shall be paid by him to the clearing bank for the benefit of the banks entitled thereto.

12. In order that the clearing statements may not be unnecessarily interfered with, it is agreed that a bank objecting to any item delivered to it through the Clearing House, or to any charge against it in the exchanges of the day, shall, before notifying the Clearing House Manager of the objection, apply to the bank interested for payment of the amount of the item or charge objected to, and such amount shall thereupon be immediately paid to the objecting bank. Should such payments not be made the objecting bank may notify the Clearing House Manager of such objection and non-payment, and he shall thereupon deduct the said amount from the settling sheets of the banks concerned, and re-adjust the clearing statements and declare the correct balances in conformity with the changes so made, provided that such notice shall be given at least half an hour before the earliest hour fixed by by-law, as provided in clause 11, for payment of the

balances due to the creditor banks. But notwithstanding that the objecting bank may not have so notified the Clearing House Manager, it shall be the duty under these rules of the bank interested to make such payment on demand therefor being made at any time up to 3 o'clock; provided, however, that if the objection is based on the absence from the deposit of any parcel or of any cheque or other item entered on the deposit slip, notice of such absence shall have been given to the bank interested before 12 o'clock noon, the whole, however, subject to the provisions of Rule No. 2.

13. All bank notes, cheques, drafts, bills and other items (hereafter referred to as "items") delivered through the Clearing House to a bank in the exchanges of the day, shall be received by such bank as a trustee only, and not as its own property, to be held upon the following trust, namely, upon payment by such bank at the proper hour to the clearing house of the balance (if any) against it, to retain such items freed from said trust; and in default of payment of such balance, to return immediately and before 12.30 p.m., the said items unmarked and un mutilated through the Clearing House to the respective banks, and

the fact that any item cannot be so returned shall not relieve the bank from the obligation to return the remaining items, including the amount of the bank's own notes so delivered in trust.

Upon such default and return of said items, each of the other banks shall immediately return all items which may have been received from the bank so in default, or pay the amount thereof to the defaulting bank through the Clearing House. The items returned by the bank in default shall remain the property of the respective banks from which they were received, and the Clearing House Manager shall adjust the settlement of balances anew.

A bank receiving through the Clearing House such items as aforesaid, shall be responsible for the proper carrying out of the trust upon which the same are received as aforesaid, and shall make good to the other banks respectively all loss and damage which may be suffered by the default in carrying out such trust.

14. In the event of any bank receiving exchanges through the Clearing House making default in payment of its debit balance (if any) then in lieu of its returning the items received by it as provided by Rule 13, the Board of Management

may require the banks to which the defaulting bank, on an account being taken of the exchanges of the day between it and other banks, would be a debtor, in proportion to the amounts which, on such accounting, would be respectively due to them, to furnish the Chairman of the Clearing House for the time being with the amount of the balance due by the defaulting bank, and such amount shall be furnished accordingly, and shall be paid by the Chairman to the clearing bank, which shall then pay over to the creditor banks the balances due to them in accordance with Rule 11. The said funds for the Chairman shall be furnished by being deposited in the clearing bank for the purpose aforesaid. The defaulting bank shall repay to the Chairman for the time being, or to his successor in office, the amount of such debit balance and interest thereon, and the said Chairman, and his successor in office, shall be entitled to recover the same from the defaulting bank. Any moneys so recovered shall be held in trust for and deposited in the clearing bank for the benefit of the banks entitled thereto.

15. If a bank neglects or refuses to pay its debit balance to the clearing bank, and if such default be made not because of inability to pay, the Board of Management may direct that the

exchanges for the day between the defaulting bank and each of the other banks be eliminated from the Clearing House Statements, and that the settlements upon such exchanges be made directly between the banks interested, and not through the Clearing House. Upon such direction being given the Clearing House Manager shall comply there-with and adjust the settlement of balances anew, and the settlement of the exchanges so eliminated shall thereupon be made directly between the banks interested.

16. Should any case arise to which, in the opinion of the Board of Management, the foregoing rules are inapplicable, or in which their operation would be inequitable, the Board shall have power at any time to suspend the clearings and settlements of the day ; but immediately upon such suspension the Board shall call a meeting of the members of the Clearing House to take such measures as may be necessary.

17. Every Clearing House now existing, or that may hereafter be established, may enact by-laws, rules and regulations for the government of its members, not inconsistent with these rules, and may fix therein among other things :—

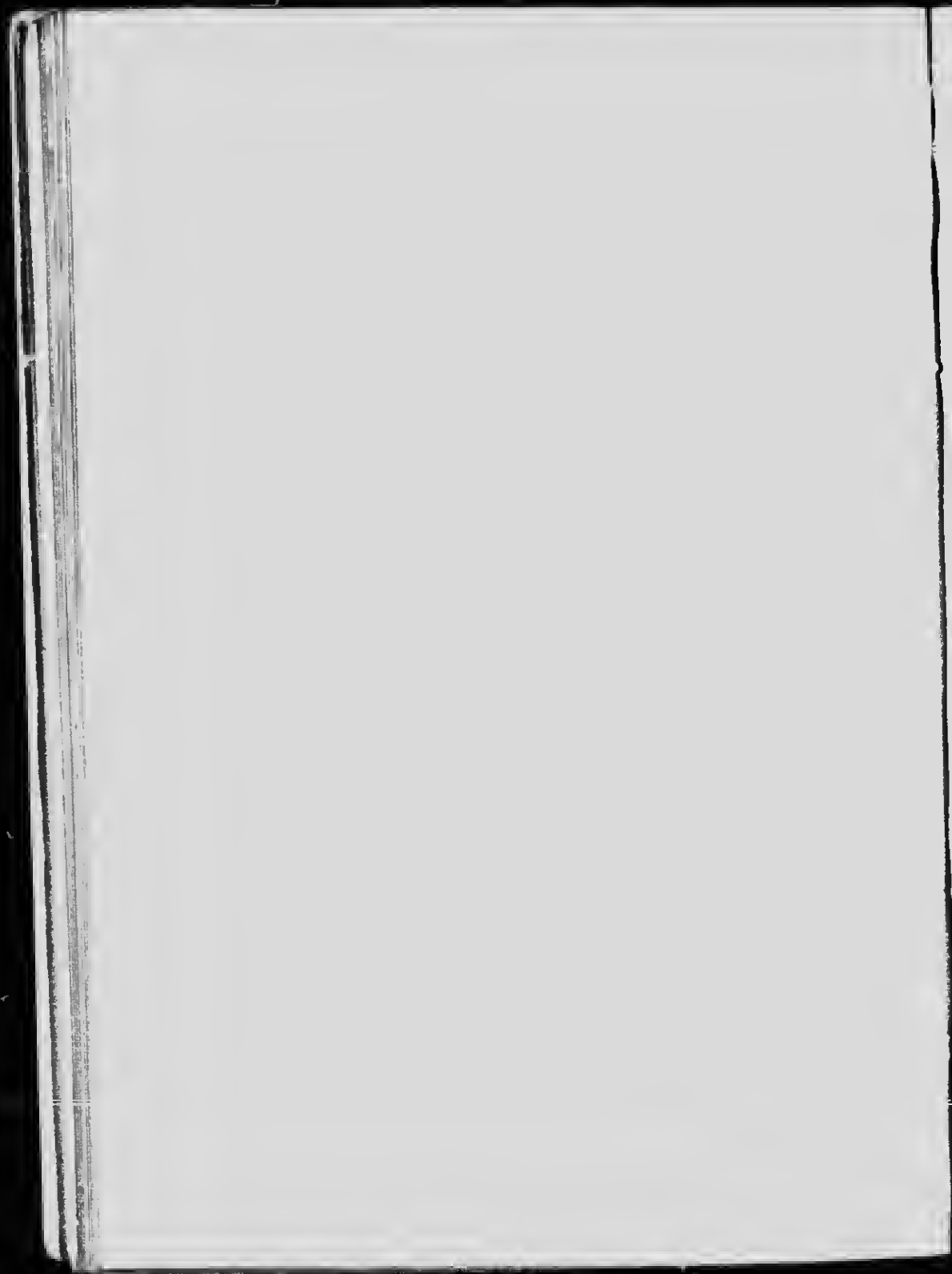
1. The name of the Clearing House ;
2. The number of members of the Board of Management and the quorum thereof ;
3. The date, time and place for the Annual Meeting ;
4. The mode of providing for the expenses of the Clearing House ;
5. The hours for making exchanges. and for payment of the balances to or by the clearing bank ;
6. The mode or medium in which balances are to be paid.

Any by-law, rule, or regulation passed or adopted under this clause may be amended at any meeting of the members, provided that not less than two weeks notice of such meeting, and of the proposed amendments, has been given.

# CONVENTIONS AND RULES

RESPECTING ENDORSEMENTS.





# CONVENTIONS AND RULES

## RESPECTING ENDORSEMENTS

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Adopted by the Council of the Canadian Bankers' Association on the 26th February, 1898, under authority of a resolution passed at the annual meeting of the Association, 6th October, 1897.

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### MODE OF ENDORSEMENT

1. An endorsement may be either written or stamped, in whole or in part.

### REGULAR ENDORSEMENTS

2. A regular endorsement within the meaning of these Conventions and Rules must be neither restrictive nor conditional, and must be so placed and worded as to show clearly that an endorsement is intended.

If purporting to be the endorsement of the person or firm to whom the item is payable (whether originally or by endorsement), the names must correspond, subject, however, to section 32,

sub-sec, 2, of the Bills of Exchange Act, which is as follows :—

“Where, in a bill payable to order, the  
“payee or endorsee is wrongly designated, or  
“his name is misspelt, he may endorse the  
“bill as therein described, adding his proper  
“signature; or he may endorse by his own  
“proper signature.”

If purporting to be the endorsement of a corporation, the name of the corporation and the official position of the person or persons signing for it must be stated.

If purporting to be made by some one on behalf of the endorser, it must indicate by words that the person signing has been authorized to sign; *ex. gr.*, “John Smith, by his attorney, Thomas Robinson,” or “Brown, Jones & Co., by Thomas Robinson, their attorney,” or Per Pro. or P. P. the Smith Brown Company Limited, Thomas Robinson.”

#### IRREGULAR ENDORSEMENTS.

3. An endorsement, other than a restrictive endorsement, which is not in accordance with the foregoing definition of a regular endorsement, or which is so placed or worded as to raise

doubts whether it is intended as an endorsement, is an irregular endorsement within the meaning of these Conventions and Rules.

#### RESTRICTIVE ENDORSEMENTS.

4. Section 35 of the Bills of Exchange Act defines a restrictive endorsement as follows :—

“An endorsement is restrictive which prohibits the further negotiation of the bill, or which expresses that it is a mere authority to deal with the bill as thereby directed, and not a transfer of the ownership thereof, as for example, if a bill is endorsed ‘pay D only,’ or ‘pay D for the account of X,’ or ‘pay D or order for collection.’”

The following further examples shall be treated as restrictive endorsements within the meaning of these Conventions and Rules, without prejudice, however, to their true character, should the question arise in court, viz. :—

“For deposit only to credit of.....”

“For deposit in.....bank to credit of.....”

“Deposited in.... .....bank for account of.... .....”

“Credit.....bank.”

**FORM AND EFFECT OF GUARANTEE**

5. A guarantee of endorsements shall be in the following form or to the like effect :—

“ Prior endorsements guaranteed  
by .....(name of bank) ”

It may be written or stamped, but shall be signed in writing by an authorized officer of the bank giving it.

By virtue of such guarantee and of these Conventions and Rules, the bank giving same shall return to the paying bank the amount of the item bearing the guarantee, if, owing to the nature of any endorsement, or to its being forged, or unauthorized, it should appear that such payment was improperly made.

**ENDORSEMENT BY DEPOSITING BANK**

6. When one bank deposits with or presents for payment to another bank (whether through the Clearing House or otherwise) a bill, note or cheque, the item so deposited or presented shall bear the stamped open endorsement of the depositing or presenting bank. Such stamp shall contain the name of the bank, its branch or agency, and the date, and shall for all purposes be the endorsement of the depositing or presenting bank,

and, except as hereinafter specified, no further or other endorsement shall be required, whether the item be specially payable to the bank or otherwise, or be payable at the chief office or elsewhere.

#### RESTRICTIVELY ENDORSED ITEMS

7. If a bill, note or cheque bearing a restrictive endorsement be so deposited or presented, the depositing or presenting bank shall ipso facto, and by virtue of these Conventions and Rules, be deemed to have guaranteed such endorsement in accordance with section 5 hereof, and shall be liable to the paying bank to the same extent as if such guarantee had been actually placed upon the item, but payment may, notwithstanding, be refused until the restriction be removed.

#### IRREGULARLY ENDORSED ITEMS

8. If a bill, note or cheque, bearing an irregular endorsement as above defined, be so deposited or presented, the depositing or presenting bank shall endorse thereon the guarantee referred to in section 5 hereof, but payment may, notwithstanding, be refused until the irregularity be removed.

#### LETTERS OF CREDIT, DEPOSIT RECEIPTS. ETC.

9. When a letter of credit, deposit receipt, or other item not negotiable, and to which the por-

visions of the Bills of Exchange Act do not apply, is so deposited or presented, a receipt and indemnity in the following form, or to the like effect shall be written or stamped thereon, signed in writing by an authorized officer of the presenting or depositing bank, viz. :—

“Received amount of within from the within named bank, which is hereby indemnified against all claims hereunder by any person.”

#### AGREEMENT AS TO PRACTICE

10. While it is understood that in general, for convenience of the depositing or presenting bank, no objection will be made to a restrictive endorsement, or to an irregular endorsement if the guarantee above provided for be given, yet in view of the responsibility which a depositing or presenting bank incurs in connection therewith, each bank undertakes to make all reasonable effort to have all endorsements on items deposited or presented by it made regular in order that its customers and the public generally may ultimately be led to adopt a regular and uniform system.

It is also understood that endorsements regularly made within the meaning of these Conventions and Rules shall not be objected to except for special reasons to be assigned with the objection.

## AMENDMENT

*Adopted by the Canadian Bankers' Association,  
February 22nd, 1906.*

In case of all items, whether, restrictively endorsed or otherwise, sent through the exchanges by members of the Association, the member sending the item shall be deemed and held as guaranteeing the authenticity of all endorsements thereon, and if such guaranty do not expressly appear it shall be implied.



